

REAL ESTATE

This section covers non-residential and residential real estate activity in Placer County.

GENERAL REAL ESTATE

Several factors make a significant contribution to the real estate activity in the Placer County regional marketplace. As shown in Figure 36, commercial rents are generally lower in the region than in San Francisco Bay Area or in Southern California. The combination of lower labor costs and lower commercial rents are an incentive to companies relocating to the area.

FIGURE 36
COMPARISON OF CURRENT LEASE RATES
(PER SQUARE FOOT)

Area	Office	Industrial	R&D
Placer County	\$1.95	\$0.43	\$0.98
Sacramento County	\$1.75	\$0.35	\$0.78
Palo Alto/Mountain View	\$5.55	\$2.35	\$3.75
San Jose	\$4.40	\$1.25	\$2.50

Prepared by Sacramento Regional Research Institute.

Source: Colliers International, September 2001

Local government's favorable attitude toward economic development is another factor contributing to the active real estate market in Placer County. Another factor is the proximity of the region to both the San Francisco Bay area and the Sierra Nevada mountains.

Computer and technology support firms are among the most rapidly expanding businesses in the area. Information technology, accounting, law, and engineering firms, as well as state associations, have been able to service San Francisco Bay Area and Southern California clients from Placer County. Consequently, the mix of companies in Placer County has become more regional and national in character. Local companies remain important to Placer County as they expand to keep pace with the region's growth. However, it is the regional and national companies that have generated the impetus to the area's commercial expansion.

Construction valuation is an indicator of a healthy real estate market for Placer County. Figures 37 and 38 list and chart the historic trend in the valuation of non-residential, residential and total construction in Placer County between 1990 and 2000.

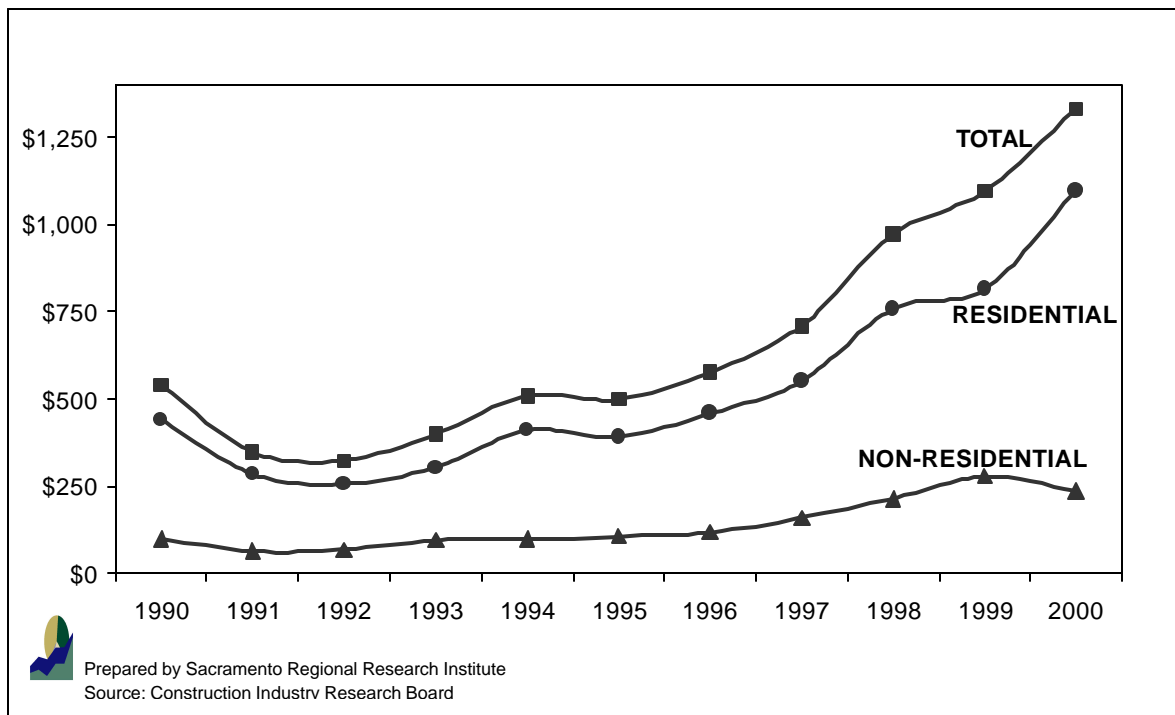
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FIGURE 37
NON-RESIDENTIAL & RESIDENTIAL CONSTRUCTION VALUATION
 (IN MILLIONS)

Year	Placer County		Total
	Non-Residential	Residential	
1990	\$99	\$440	\$539
1991	\$64	\$284	\$348
1992	\$68	\$256	\$324
1993	\$96	\$303	\$399
1994	\$98	\$410	\$508
1995	\$106	\$391	\$497
1996	\$118	\$458	\$576
1997	\$159	\$550	\$709
1998	\$214	\$757	\$971
1999	\$279	\$815	\$1,094
2000	\$235	\$1,095	\$1,330
2001 (thru May)	\$82	\$458	\$540

Prepared by Sacramento Regional Research Institute
 Source: Construction Industry Research Board

FIGURE 38
NON-RESIDENTIAL & RESIDENTIAL CONSTRUCTION VALUATION CHART FOR PLACER COUNTY
 1990 -2000 (IN MILLIONS)



LAND COSTS AND AVAILABILITY

Placer County has abundant undeveloped land available for commercial and industrial development. Public sector policies are pro-business and promote a planned-growth approach to land use. Equally important, many jurisdictions in Placer County use urban reserve and agricultural zoning designations to land bank acreage for future use or to save as open space. These policies stimulate economic growth while preserving the quality of life in Placer County.

Figure 39 shows that, depending upon location, size, accessibility, and topography, the cost of land in Placer County ranges from \$3.00 per square foot for improved industrial development to \$30.00 for land zoned for a retail shopping center.

FIGURE 39
LAND COSTS IN PLACER COUNTY
IMPROVED LAND

<i>Land Use</i>	<i>Typical Cost per Square Foot</i>
Industrial	\$ 3.00 - \$ 3.75
Suburban Office	\$18.00 - \$20.00
Retail Shopping Center	\$15.00 - \$30.00
Retail Neighborhood Center (8-12 acres)	\$12.00 - \$18.00

Prepared by Sacramento Regional Research Institute
Source: Colliers International, September 2001

Undeveloped land requires infrastructure to service its intended use. In Placer County, several funding mechanisms are available to finance these improvements. They include, but are not limited to, the formation of an assessment district; Mello-Roos financing; the establishment of a buy-in fee program as property is zoned or developed for urban use; and the use of development impact fees. The details of each infrastructure financing package depend upon the size of the proposed project.

The Highway 65 Corridor lies 20 miles east of Sacramento on Interstate 80, only 90 minutes from the ski resorts, casinos, and alpine recreation areas of Lake Tahoe and two hours from the Pacific Ocean. Retail opportunities along Highway 65 Corridor include the Galleria Roseville and Creekside development, professional office space (such as space occupied by Agilent Technologies), recently completed transportation corridors such as East Roseville parkway, Blue Oaks Boulevard, Pleasant Grove Road, and finally access from 65 to Interstate I-80. California businesses considering expansion or relocation to other states can achieve similar benefits along the Highway 65 Corridor and retain access to California's major markets, advanced communications, and proximity to Pacific Rim markets.

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OFFICE SPACE

Figures 40 and 41 show the construction and absorption of the office space in Placer County between 1990 and 2000.

FIGURE 40
OFFICE SPACE CONSTRUCTION IN PLACER COUNTY
1990-2000 OFFICE SPACE IN SQ. FT.

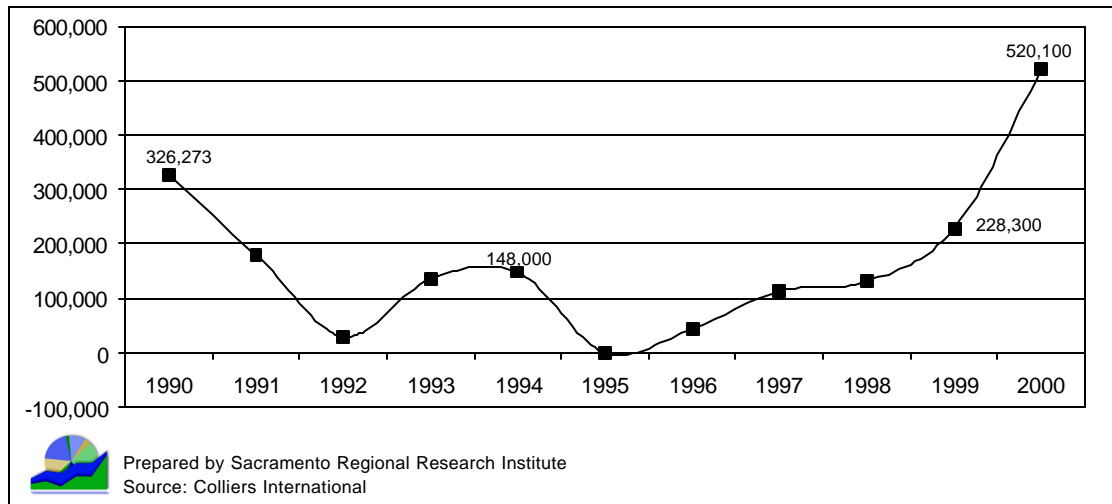
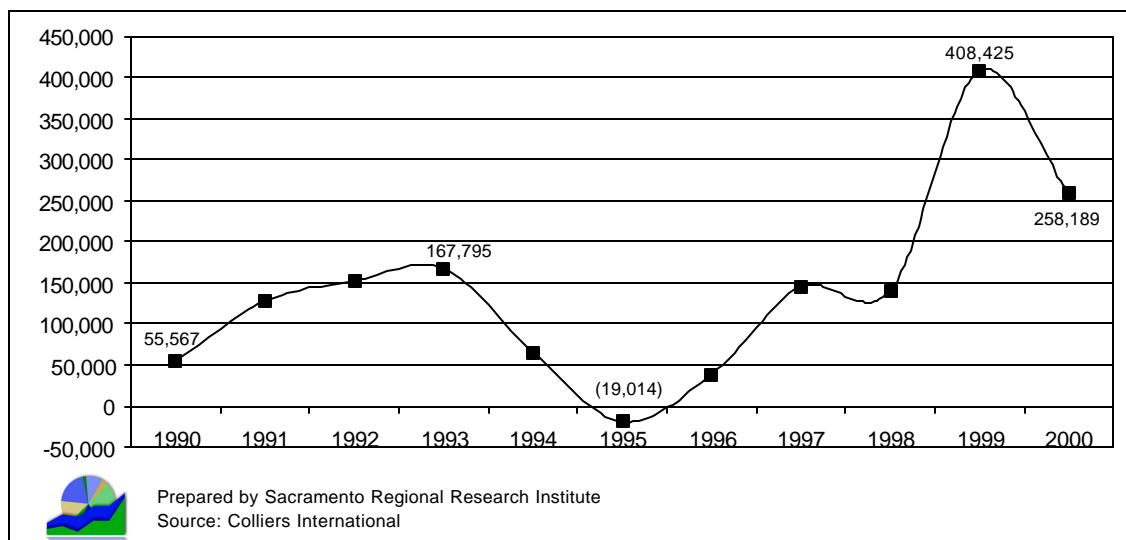


FIGURE 41
OFFICE SPACE ABSORPTION IN PLACER COUNTY
1990 - 2000 NET ABSORPTION OFFICE SPACE IN SQ. FT.



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Service oriented tenants responding to the expanding population in Placer County created the greatest demand for office space. The demand for space is expected to continue to grow as Placer County becomes a competitor for regional corporate relocations. Because of its proximity to executive housing, as well as affordable housing, good school systems and excellent infrastructure, the Roseville/Rocklin area continues to attract corporate and professional services tenants. With available land, Roseville/Rocklin should continue to expand and develop as a professional and corporate location and experience low vacancy rates.

Figure 42 shows that increases in lease rates have been modest over the last six years. The substantial amount of office space added to the market in a relatively short period of time has helped to maintain stable rents.

FIGURE 42
HISTORICAL OFFICE LEASE RATES IN PLACER COUNTY
1995-2001

Structure	Cost per Square Foot per Month					
	1995	1996	1997	1998	1999	2000
Class A Buildings	\$1.70	\$1.75	\$1.80	\$1.90	\$1.95	\$2.00
Class B Buildings	\$1.45	\$1.50	\$1.60	\$1.70	\$1.75	\$1.80
Class C Buildings	\$1.00	\$1.05	\$1.15	\$1.20	\$1.25	\$1.35
Overall Office Rates	\$1.60	\$1.70	\$1.70	\$1.75	\$1.80	\$1.90

Prepared by Sacramento Regional Research Institute
Source: Colliers International, September 2001

INDUSTRIAL/WAREHOUSE SPACE

Figure 43 shows the absorption of the industrial space in Placer County between 1990 and 2000. The absorption of the industrial/warehouse space in Placer County peaked in 1994 to over 2.0 million square feet. In 1999 approximately 1.1 million of industrial/warehouse square feet were absorbed. However, in 2000 the absorption declined to approximately 264,000 square feet.

The record growth since late 80's was due to the construction and occupation of several large distribution and manufacturing facilities. Companies for which buildings were constructed included Albertson's, NEC, Hewlett-Packard, Roseville Telephone, and Wesco Manufacturing.

Warehouse facilities presently rent between \$0.35 to \$0.50 per square foot on a triple net basis. Research and development space rents from between \$0.85 to \$1.10 per square foot. Total industrial vacancy is approximately 12 percent. High vacancy rate is due to new construction coming onto the market in 1st and 2nd quarter of 2001.

Several industrial parks have recently moved into Placer County. Shown in Figure 44 are some of the major existing and approved industrial parks (sized over 100,000 square feet) with a brief description of the types of industry and size of the park.

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FIGURE 43
INDUSTRIAL SPACE ABSORPTION IN PLACER COUNTY
 1990 - 2000 NET ABSORPTION INDUSTRIAL SPACE IN SQ. FT.

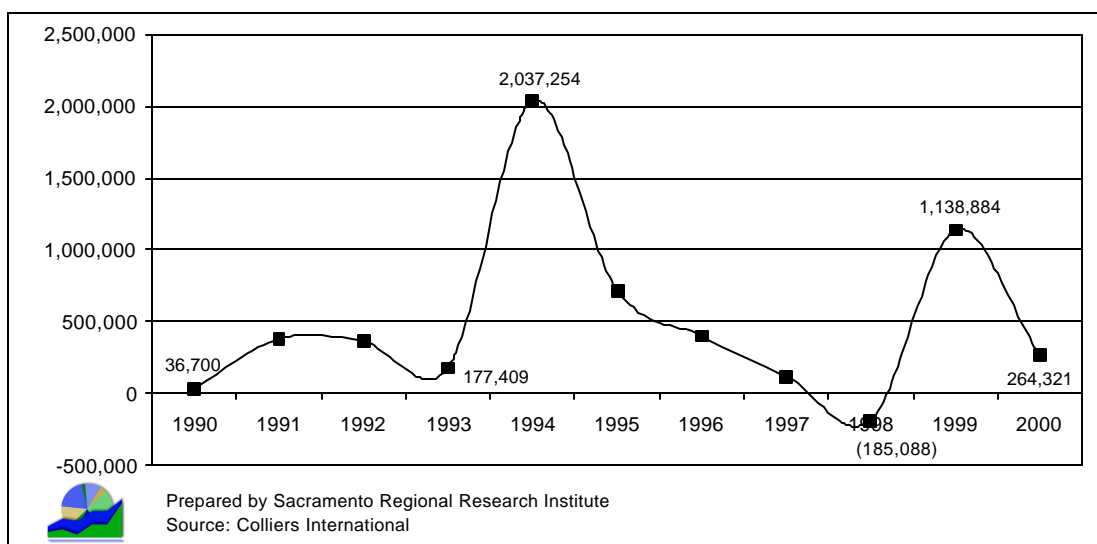


FIGURE 44
MAJOR INDUSTRIAL PARKS

Project Name	Location	Size (in sq. ft.)	Industry / Major Business
Parkside Industrial Center	Roseville	374,400	industrial, business park
Roseville Parkway Industrial Center	Roseville	444,000	U.S. Bancorp
Hewlett Packard	Roseville	769,698	Hewlett Packard
Vineyard Pointe Bus. Park	Roseville	126,347	industrial, business park, office
Foothills Commerce Center II	Roseville	108,467	industrial and tech-oriented companies
Pride Industries	Roseville	189,288	headquarters site
Cemo Business Park	Roseville	149,700	office, technology, business
Lincoln Air Center	Lincoln	1,919,000	distribution, warehouse, production
Auburn Industrial Park	Auburn	3,702,600	manufacturing, distribution, electronics, lighting, printing
Deans Industrial Park	Loomis	191,664	storage, manufacturing, office
Granite Creek Business Park	Rocklin	200,000	industrial and commercial
Oracle Campus	Rocklin	450,000	Oracle
Sierra Placer Business Park	Placer Co.	702,000	warehousing and manufacturing
Placer Corporate Center	Placer Co.	4,617,360	office, light industrial
Atherton Tech Center	Placer Co.	100,000	office
Douppnik Manufacturing	Loomis	740,520	modular construction

Note: Some of the industrial parks are not completely built out. The size is the total estimate at build out.

RETAIL SPACE

Figure 45 compares current retail lease rents, vacancy, space inventory, and absorption in The Valley and Gold Country regions of Placer County.

FIGURE 45
RETAIL LEASE RATES, VACANCY AND ABSORPTION IN PLACER COUNTY
 2001

Area	<i>Strip Centers</i>	<i>Anchored Centers</i>	<i>Overall Vacancy</i>	<i>Inventory</i>	<i>Absorption</i>
	<i>Per Square Foot</i>			<i>In Square Feet</i>	
The Valley	\$1.00 - \$1.50	\$1.85 - \$2.50	4.30%	3,886,903	203,061
Gold Country	\$0.90 - \$1.25	\$1.30 - \$1.70	3.19%	784,606	5,056

Prepared by Sacramento Regional Research Institute

Note: The Valley region includes Roseville, Rocklin, Loomis, Lincoln, and Granite Bay.

The Gold Country includes Auburn, Colfax, and Foresthill areas.

Source: Colliers International, September 2001

In August 2000, The Galleria shopping mall opened in Roseville. The shopping center comprises 1.1 million square feet. Adjacent to the Galleria is the Creekside Center with approximately 694,000 square feet of retail and 435,000 square feet of office space.

RESIDENTIAL - SINGLE FAMILY HOUSING

The comparatively low cost of housing in Placer County attracts many new residents to the region. Many Californians migrate to Placer County from the more expensive areas of the state, such as the San Francisco Bay Area.

Figure 46 shows that the median sale home price in Placer County remains below the median home price for Orange County, San Jose and Palo Alto.

Figure 47 illustrates the historic trend in median single family home sale price (new and resale homes) in Placer County for fourth quarter 2000 and 1999. Placer County experienced approximately 19 percent growth, the same rate as San Diego (19 percent), and trailed Palo Alto (27 percent) and San Jose (90 percent).

All types of housing are available -- urban, suburban, and rural. In addition to commonly found housing subdivisions and planned developments, Placer County offers the opportunity to live by rivers, lakes, streams, the foothills and the Sierra Nevada mountains. It is possible to find homes with significant acreage within an easy commute to major employment centers. For those living in more urbanized areas of the county, parks provide excellent recreation near most neighborhoods and there is easy access to rural areas.

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FIGURE 46
COMPARATIVE MEDIAN HOUSING PRICES
 4TH QUARTER 2000 (SINGLE FAMILY UNIT, NEW AND RESALE HOMES)

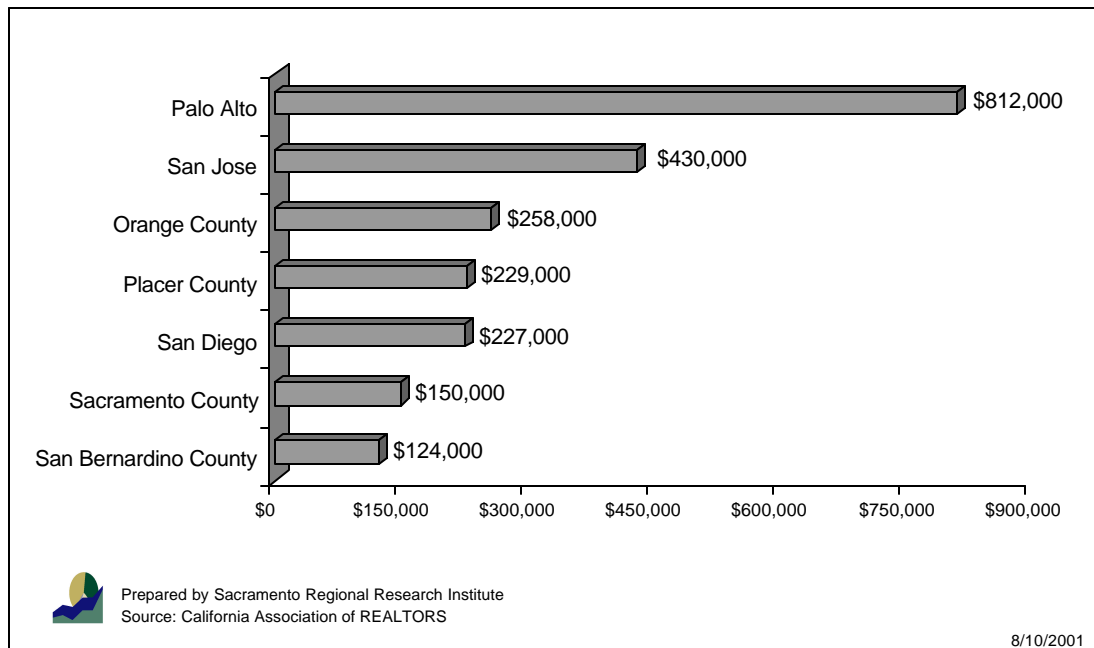


FIGURE 47
CHANGE IN SINGLE FAMILY MEDIAN HOUSING COSTS
 4th QUARTER 1999 - 4th QUARTER 2000

Area	Median Single Family Sales Price		Percent Change
	4th Quarter 1999	4th Quarter 2000	
San Jose	\$330,000	\$430,000	30%
Palo Alto	\$640,000	\$812,000	27%
San Diego	\$190,000	\$227,000	19%
PLACER COUNTY	\$192,500	\$229,000	19%
San Bernardino County	\$110,000	\$124,000	13%
Sacramento County	\$133,500	\$150,000	12%
Orange County	\$239,000	\$258,000	8%

Prepared by Sacramento Regional Research Institute
 Source: California Association of REALTORS